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RESPONSES FROM THE PUBLIC CONSULTATION ON THE JOINT SOLUTION FOR MANAGING CROSS-BORDER CAPACITY AND OXYGEN ISSUES

1. Introduction

This document summarizes the key points from stakeholder responses regarding the management of cross-border methane gas capacity and oxygen issues between Denmark and Germany. The responses were submitted to the consultation held by Energinet and Gasunie Deutschland on the 'Joint solution for managing cross-border capacity and oxygen issues'.

Energinet and Gasunie appreciate the responses given by the market. Energinet and Gasunie consider the proposed solution as the most viable and cost-effective solution to ensure sufficient and timely cross-border capacity for both the methane and coming hydrogen market.

2. Summary of responses and answers

2.1 Importance of Firm Capacity

Stakeholders emphasize the importance of unconditionally firm cross-border capacity for efficient gas allocation, transparent pricing, and effective market risk hedging. Firm capacity must be preserved even as parts of the infrastructure are repurposed for hydrogen transportation.

2.2 Hydrogen Infrastructure Transition

While parts of the gas infrastructure may be repurposed for hydrogen, firm methane capacity must still be maintained. The consultation document is seen as a constructive and cost-effective step toward balancing methane and hydrogen system needs.

2.3 Clarity on Costs of Alternative Solutions

Stakeholders request additional information regarding the costs of technical alternatives, especially an oxygen removal installation. Transparency on investment plans is essential for market participants to assess the proposed solutions.

2.4 Market-Based Capacity Assessment

Stakeholders urge Energinet to go beyond the Danish Energy Agency's 2024 assumptions and include market-based perspectives and consider a dynamic analysis of shipper behavior and flow patterns is recommended to avoid misjudging capacity needs.

2.5 Security of Supply

Replies to the public consultation have highlighted Security of Supply observations. As Germany heavily relies on Norwegian gas, with 29% of its 2024 pipeline imports coming via Dornum, there has been a focus on the importance of the alternative route through Denmark (VIP DK THE – Ellund), in case of disruptions at Dornum or downstream infrastructure. A reduction of capacity at Ellund could severely limit Germany's ability to import Norwegian gas during emergencies.

2.6 Risk Assessment

In the public consultation, stakeholders requested confirmation that a comprehensive risk assessment has been conducted as well as transparency on measures meant to safeguard security of supply during and after the hydrogen transition.
Stakeholders recommended, the Gasunie and Energinet emphasize contingency plans for disruptions at Dornum or/and the NETRA network.

Finally, it was urged in the public consultation, that an evaluation of the impact of reduced capacity at Ellund will take place, with a focus on how this will affect Germany's gas import capabilities.

3. Energinet and Gasunie answers

Energinet and Gasunie recognize the importance of unconditionally firm cross-border capacity and will endeavor to enlighten what the specific unconditionally firm cross-border capacity is expected to be and what the conditionally firm cross-border capacity is expected to be. It is important to note that any capacities shown or stated are subject to uncertainty and future changes due to market dynamics, regulatory changes etc.

Energinet understands and acknowledges the need for more information on alternative solutions and will in the near future give the market an update of the scope and expected costs for oxygen removal installations.

Energinet agrees that the use of the Danish Energy Agency's 2024 assumptions to indicate future gas transportation needs may be overestimated. This was also noted in the presentation and the written material published, that significant uncertainty was present in the analysis. Energinet still believes that the stated south- and northbound capacities is at sufficient levels which secures a transparent and effective market regarding price formation and gives opportunities to hedge risks in the Danish market.

Regarding the Security of Supply situation, Gasunie highlights, that a fundamental requirement for the development of a hydrogen network is to ensure security of supply when converting existing natural gas infrastructure for hydrogen transportation. To ensure security of supply, measures to reinforce the natural gas network and eliminate internal bottlenecks at the transmission system operators (TSOs) are being planned and implemented. In recent years, various measures have also been implemented to diversify natural gas supply sources. The issue of security of supply is also discussed in many national and European working groups in order to take appropriate account of current and foreseeable developments.